



JOHN NAIMO  
AUDITOR-CONTROLLER

## COUNTY OF LOS ANGELES DEPARTMENT OF AUDITOR-CONTROLLER

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September 9, 2016

TO: Audit Committee

FROM: John Naimo   
Auditor-Controller

SUBJECT: **FISCAL YEAR 2015-16 ACCOMPLISHMENTS – AUDIT DIVISION**

The Auditor-Controller's (A-C) Audit Division (Audit) performs a variety of audits including reviews of financial procedures and controls, management structure and organization, program effectiveness, and computer system integrity and security. The audits are designed to help client departments strengthen controls, streamline operations, and enhance overall services to the public. The reviews are often requested by the Board of Supervisors (Board). In addition to auditing, Audit Division staff:

- Assess the cost effectiveness of large Proposition A contracts,
- Analyze requests to establish, increase, or decrease revolving funds,
- Annually refresh the County Fiscal Manual (CFM),
- Administer the Countywide Internal Control Certification Program (ICCP),
- Manage client engagements conducted through Master Agreement vendors, and
- Provide client departments with ongoing technical, consulting, and training services in the areas of fiscal and administrative compliance, internal control, benchmarking and measurement, and efficiency and effectiveness.

### **BUDGET SUMMARY**

Audit's Fiscal Year (FY) 2015-16 gross appropriation was \$9.062 million, of which only \$1.517 million (17%) is net County cost (NCC). The remaining 83% of Audit costs are funded by Interfund Transfers (68%) and Revenue (15%). An additional funding resource is available within the Provisional Financing Uses budget for Board-ordered projects.

## ISSUED REPORTS

Typically Audit has 65 to 70 audit engagements in process at all times. In addition, other non-audit departmental assistance or analysis would bring the number of in-process engagements to well over 100.

During FY 2015-16, Audit produced 66 audit reports and related documents, listed within the attached. This compares to 68 audit reports in the prior FY.

**Table 1**  
**Issued Audit Reports by Type**

<b>Report Type</b>	<b>Count</b>
Fiscal/Financial	27
<b>Board Orders</b>	<b>11</b>
Control/Compliance	10
Miscellaneous Analysis	4
Prop A Avoidable Cost Review	4
Commission Sunset Review	3
Information Technology	3
Payroll/Personnel	2
Program/Operational	2
<b>TOTALS:</b>	<b>66</b>

**Table 2**  
**Issued by Department**

<b>Department</b>	<b>Count</b>
Multiple Departments/Countywide	13
Treasurer-Tax Collector	8
Health Services	8
Probation	7
Public Social Services	5
Sheriff	4
Mental Health	3
Board – Sunset Reviews	3
Audit Committee	2
District Attorney	2
Public Works	2
External (Music Center)	1
Alternate Public Defender	1
Animal Care and Control	1
Assessor	1
Chief Executive Office	1
Children and Family Services	1
Human Resources	1
Public Health	1
Registrar-Recorder, County Clerk	1
<b>TOTALS:</b>	<b>66</b>

Table 2 lists the number of audit reports issued by department. Examples of multiple department reports include annual reports on foundations, third party liabilities, utility user taxes, the audit plan, Board report-backs on information technology, and Prop 47 and AB109 reports.

## BOARD ORDERS

The Board of Supervisors (Board) directed the A-C to provide analysis of various issues. Audit completed eleven of these reviews as noted in Table 3. Board ordered projects are Audit's top priority, sometimes necessitating the suspension of work on in-process audits.

**Table 3**  
**Board Orders**

<b>Report Subject</b>	<b>Date Issued</b>
Martin Luther King, Jr. - Los Angeles Healthcare Corporation Lease Agreement Funding Review	07-06-2015
Probation Department – Budget, Juvenile Halls and Camps Operating Costs, and Departmental Contracting Procedures Review (Board Agenda Item 10, April 14, 2015)	07-24-2015
Voyager Fuel Credit Cards Automated Controls Review (Board Agenda Item 7, August 4, 2015)	09-08-2015
Mental Health Diversion Programs Review Stage 1 – Pre-Arrest Law Enforcement Diversion	08-14-2015
Public Safety Realignment Act (AB109) Review (four reports: Sheriff, Probation, Mental Health, Lower Risk Departments)	Various
Audit of the County General Fund's Music Center Budget (Board Agenda July 7, 2015, Item 3)	10-20-2015
Feasibility of Conducting Annual Information Technology and Security Policy Audits (Board Agenda July 14, 2015, Item 8) (2 reports)	Various
L.A. Care Health Plan Administrative Cost Analysis Review	12-30-2015
Probation Department – Hiring Practices and Grant Administration (Board Agenda Item 10m April 14, 2015) (conducted via Master Agreement)	01-22-2016
Probation Department – Fiscal Year 2014-15 Budget, Revenue Accruals, and Prior Year Revenues and Expenditures Review	03-11-2016
Proposition 47 – Analysis of Cost Savings and Service Improvements (Board Agenda Item 3, December 1, 2015)	04-05-2016

## MASTER AGREEMENTS

Typically Master Agreement firms conduct engagements that have a clearly defined scope, often based on regulatory requirements, and do not require significant preexisting knowledge of County procedures. Audit acts as the liaison, and at times as a subject matter expert, between departments requesting audit and consulting services and a Master Agreement firm contracted to perform the engagements. Auditors may write or review scopes of work, coordinate entrance and exit conferences, consult on timelines, monitor key milestone dates, clarify policy, and review draft reports.

Examples of Master Agreements are financial reviews of the County Treasury, and reviews of concessionaires such as contracted golf course operators, and vendors operating businesses within County facilities (e.g., Marina del Rey).

## **INTERNAL CONTROL CERTIFICATION PROGRAM**

The ICCP is a tool Audit distributes to most departments annually (some biennially and some on a bifurcated basis annually depending on the strength of prior internal control reviews) for their use to self-assess internal controls over areas such as cash, purchasing, information technology, and payroll. The ICCP essentially walks staff through the CFM via use of topical questionnaires. Departments apply the questionnaires to each of their assessable units. For example, if a department has five cashiering offices, each of those offices is considered an assessable unit. The cash questionnaire would be answered five times – once for each office. The department prepares a corrective action plan for any question self-assessed as non-compliant. Control self-assessment is considered a best practice in local government entities.

We collaborated with departments' staff to identify opportunities to enhance the efficiency of the ICCP process through a combination of restructuring and refreshing the questionnaires, and transitioning the largely paper-driven process to an automated platform.

As of this writing, we have reduced the number of questions from 967 to 381, a reduction of 586 questions (61%). The reduction was accomplished by eliminating questions that were primarily procedural rather than internal control-related, consolidating redundancies, and focusing on core control competencies. We have also re-ordered many questions to ensure a more logical flow, and re-written questions to achieve greater clarity.

Our automated solution is nearing its testing phase. We will pilot the new "eICCP" among four or five departments, followed by a phased Countywide roll-out.

We anticipate the shorter version of the ICCP, and the parallel phased implementation of eICCP, will generate greater:

- Confidence among our client department partners that the control self-assessment goal is being more efficiently achieved.
- Accuracy in the questionnaire responses.
- Effectiveness of the process.
- Time savings for our department partners to complete.

If you have any questions, please call me, or your staff may contact Robert Smythe at (213) 253-0101

JN:AB:PH:RS:ag

Attachment

c: Sachi A. Hamai, Chief Executive Officer

**DEPARTMENT OF AUDITOR-CONTROLLER  
AUDIT DIVISION  
FISCAL YEAR 2015-16 ACCOMPLISHMENTS**

No.	Department	Date Issued	Assignment Name
<b>Fiscal / Financial</b>			
1	Countywide	07-21-2015	Countywide Utility User Tax Expenditure Audit Report as of June 30, 2014*
2	Public Health	07-30-2015	Prevention and Treatment Programs Cost Report and Year End Reimbursement Claim
3	Treasurer and Tax Collector	08-25-2015	Review of the County Treasurer's Statements of Net Position for the Quarter Ended March 31, 2015*
4	Treasurer and Tax Collector	09-02-2015	Treasurer's April 20, 2015 Cash Count
5	Countywide	09-30-2015	Report of Monies Owed to Third Parties as of June 30, 2015
6	Sheriff	10-09-2015	Public Safety Realignment Act (AB109) Review - Sheriff's Department - Fiscal Year 2014-15
7	Treasurer and Tax Collector	10-13-2015	Treasurer's July 24, 2015 Cash Count
8	Health Services	10-26-2015	LAC+USC Healthcare Network - Trust Funds, Revolving Funds, Commitments, and Accounts Payable Follow-Up Review
9	Probation	10-27-2015	Public Safety Realignment Act (AB109) Review - Probation Department - Fiscal Year 2014-15
10	Sheriff	11-10-2015	Inmate Welfare Fund Financial Compliance Audit - Fiscal Years 2011-12 through 2013-14*
11	Probation	12-10-2015	Audit of Probation Department - Welfare and Institutions Code Section 275(b)*
12	Treasurer and Tax Collector	01-07-2016	Audit of the Los Angeles County Treasury for the Year Ended June 30, 2015*
13	Treasurer and Tax Collector	01-11-2016	Treasurer's October 20, 2015 Cash Count
14	Animal Care and Control	02-01-2016	Revenue and Collections Review
15	Public Works	02-05-2016	Audit of the Los Angeles County Flood Control District for the Year Ended June 30, 2015*
16	Mental Health	02-22-2016	Public Safety Realignment Act (AB109) Review - Department of Mental Health - Fiscal Years 2013-14 and 2014-15
17	Treasurer and Tax Collector	02-24-2016	Treasurer's January 11, 2016 Cash Count
18	Treasurer and Tax Collector	03-07-2016	Redemption Property Tax Collections Financial and Compliance Audits for Fiscal Year 2014-15*
19	Health Services	03-07-2016	Community Health Plan Financial Audit for the Years Ended June 30, 2014 and 2015*

\*Audit performed through Master Agreement

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AUDIT DIVISION  
FISCAL YEAR 2015-16 ACCOMPLISHMENTS**

<b>No.</b>	<b>Department</b>	<b>Issue Date</b>	<b>Assignment Name</b>
20	Countywide	03-08-2016	County Departments' Revolving Funds and Revolving Cash Trust Funds as of June 30, 2015*
21	Multiple	03-10-2016	Public Safety Realignment Act (AB109) Review - Lower Risk Departments - Fiscal Year 2014-15
22	Probation	03-11-2016	Fiscal Year 2014-15 Budget, Revenue Accruals, and Prior Year Revenues and Expenditures Review
23	Human Resources	03-28-2016	Fiscal Review Phase I
24	Health Services	04-05-2016	Asset Valuation Services and Annual Reports Special Study - Fiscal Year 2013-14
25	Countywide	06-21-2016	Report of Monies Owed to Third Parties as of June 30, 2015
26	Countywide	06-22-2016	Countywide Utility User Tax Expenditure Audit Report as of June 30, 2015*
27	Treasurer and Tax Collector	06-23-2016	Treasurer's April 25, 2016 Cash Count
<b>Board Orders</b>			
28	Health Services	07-06-2015	Martin Luther King, Jr. - Los Angeles Healthcare Corporation Lease Agreement Funding Review
29	Probation	07-24-2015	Budget, Juvenile Halls and Camps Operating Costs, and Departmental Contracting Procedures Review (Board Agenda Item 10, April 14, 2015)
30	Mental Health	08-14-2015	Mental Health Diversion Programs Review Stage 1 - Pre-Arrest Law Enforcement Diversion
31	Countywide	09-08-2015	Voyager Fuel Credit Cards Automated Controls Review (Board Agenda Item 7, August 4, 2015)
32	Assessor	09-23-2015	Third Status Report on Management Audit Recommendations (Board Agenda Item 47, January 8, 2013)
33	External	10-20-2015	Audit of the County General Fund's Music Center Budget (Board Agenda July 7, 2015, Item 3)
34	Countywide	11-06-2015	Feasibility of Conducting Annual Information Technology and Security Policy Audits (Board Agenda July 14, 2015, Item 8) – Joint report with the Chief Executive Office
35	Health Services	12-30-2015	L.A. Care Health Plan Administrative Cost Analysis Review
36	Probation	01-22-2016	Probation Department - Hiring Practices and Grant Administration (Board Agenda Item 10, April 14, 2015)*
37	Multiple	04-05-2016	Proposition 47 - Analysis of Cost Savings and Service Improvements (Board Agenda Item 3, December 1, 2015)
38	Countywide	05-18-2016	Feasibility of Conducting Annual Information Technology and Security Policy Audits (Board Agenda July 14, 2015, Item 8)

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FISCAL YEAR 2015-16 ACCOMPLISHMENTS**

No.	Department	Issue Date	Assignment Name
<b>Controls/Compliance</b>			
39	Registrar-Recorder/County Clerk	07-29-2015	Equipment and Supply Warehousing Review
40	Countywide	07-30-2015	Annual Report on Foundations and Support Groups
41	Health Services	08-14-2015	Harbor-UCLA Medical Center Tri-Partite Agreement Review
42	Countywide	09-15-2015	Annual Reporting Requirements for Foundations and Support Groups
43	Sheriff	09-16-2015	Cellular Telephones and Other Wireless Devices Review
44	Mental Health	10-23-2015	Review of the Administration of the Department of Mental Health and the Regents of the University of California, Los Angeles Affiliation Agreement
45	Public Social Services	02-06-2016	State Mandated Programs (All Vendors Except Chicana)*
46	Public Social Services	02-08-2016	State Mandated Financial and Compliance Audits of Program Contracts - Fiscal Years 2012-13 and 2013-14
47	Public Social Services	03-17-2016	State Mandated Financial and Compliance Audit of Chicana Service Action Center Program Contract – Fiscal Years 2012-13 and 2013-14*
48	Countywide	05-20-2016	Annual Report on Foundations and Support Groups
<b>Miscellaneous</b>			
49	District Attorney	08-04-2015	Request for CAL-Card
50	Audit Committee	06-10-2016	Response to the Audit Committee's Proposed Changes to Fiscal Year 2016-17 Countywide Audit Plan
51	Audit Committee	06-16-2016	Audit Plan Information
52	Health Services	06-21-2016	Request to Close Revolving Fund LAC+USC

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FISCAL YEAR 2015-16 ACCOMPLISHMENTS**

No.	Department	Issue Date	Assignment Name
<b>Proposition A Avoidable Cost Review</b>			
53	Public Social Services	08-04-2015	Proposition A Contract - DPSS Supplemental Security Income Appeals Representation Services (Board Agenda August 4, 2015, Item 26)
54	Probation	09-10-2015	Proposition A Contract Review - Probation Department Transcribing Services (Board Agenda September 15, 2015, Item 48)
55	Chief Executive Office	10-09-2015	Proposition A Contract Review - Chief Executive Office Workers' Compensation Claims Third Party Administration Services (Board Agenda October 13, 2015, Item 12)
56	Sheriff	01-05-2016	Proposition A Contract Review - Sheriff's Department Armed and Unarmed Security Guard Services (Board Agenda January 5, 2016, Items 43 and 44)
<b>Commission Sunset Review</b>			
57	Board of Supervisors	09-28-2015	Sunset Review for the Los Angeles County Beach Commission
58	Board of Supervisors	11-25-2015	Sunset Review for the Los Angeles County Hospitals and Health Care Delivery Commission
59	Board of Supervisors	01-06-2016	Sunset Review for the Los Angeles County Commission on Human Relations
<b>Information Technology</b>			
60	Probation	07-01-2015	Information Technology and Security Review
61	Public Works	12-23-2015	Utility Payment Application Invoice Processing Review
62	Health Services	02-04-2016	Physician Services for Indigents Program Claims Adjudication System Review
<b>Payroll and Personnel</b>			
63	Children and Family Services	07-02-2015	Overtime Review
64	Alternate Public Defender	03-18-2016	Payroll-Personnel Review
<b>Program/Operational</b>			
65	Public Social Services	01-08-2016	Housing Programs Review
66	District Attorney	01-29-2016	Voyager Card Review

\*Audit performed through Master Agreement